



ANNUAL REPORT 1978

Corporate Information

Officers	Chairman of the Board Ernest S. Rady President Kenneth A. Wallace Vice-President Thomas Z. Olenick Treasurer Graham D. McLeod Secretary Norman Edwards Assistant Secretary James S. Palmer Assistant Secretary Phyllis M. Klohn
Directors	Gerald L. Colborne, Toronto, Ontario Phyllis M. Klohn, Cochrane, Alberta Roy E. McLellan, Calgary, Alberta Ernest S. Rady, San Diego, California Kenneth A. Wallace, Calgary, Alberta
Honorary Directors	Howard Carruthers, Kelowna, British Columbia Douglas G. Scott, Winnipeg, Manitoba
Registered Offices	410 Crown Trust Building, 407 - 8th Avenue S.W. Calgary, Alberta T2P 1E5
Bank	The Royal Bank of Canada Calgary, Alberta
Auditors	Thorne Riddell & Co.
Registrar and Transfer Agent	Canada Trust Company Calgary, Alberta
Stock Exchange Listing	Alberta Stock Exchange

Report to Shareholders

On behalf of the Board of Directors, we are pleased to present the Annual Report of Summit Resources Limited for the period ended December 31, 1978. In order to more accurately present our financial position, the year end of our Company is now December 31, so for this one time only, financial statements are presented for the 12 months ended September 30, 1977 and the 15 months ended December 31, 1978.

The Company continued to focus its exploration efforts in the Province of Alberta, in an attempt to take advantage of the attractive exploration climate which continues to prevail in this Province. Numerous farmouts and options were granted to various companies throughout the year, which gave the Company considerable exposure to adding additional oil and gas reserves for a limited amount of expenditure. Several of the farmout wells were completed as potential gas wells and are awaiting further evaluation.

Of primary interest to the Company was its involvement in seismic shooting in the West Pembina Area in areas considered most promising for future Devonian-Nisku accumulations. The Company has kept active in efforts to acquire suitable farmouts and options in the West Pembina Area and is hopeful that during 1979, some definite drilling activity may result from its 1978 seismic program.

During 1978, we regrettably accepted the resignation of Mrs. P. Klohn, a most valued employee and director of the Company. We are indebted to her for many years of conscientious service.

Your Company made an additional investment of \$82,000.00 (U.S.) in Western Thrift Financial during the period under review.

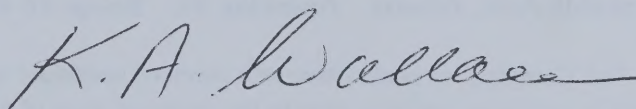
In addition, the following comments apply to the Company investments:

Western Thrift Financial and its wholly owned subsidiary, Western Thrift & Loan Association, posted record increases in assets and earnings in 1978. Earnings for the twelve month period ending December 31, 1978 increased from \$493,350.00 in 1977 to \$1,216,404.00 for 1978, and earnings per share grew by 92% from \$1.69 per share to \$3.25 per share. Net receivables increased from 82.5 million to 107.5 million, 30.3%. Balances past due three payments or more reduced from 0.43% to 0.36% and related credit losses net of recoveries reduced from \$958,000 to \$701,000, 26.8%. Net credit losses to average net receivables reduced from 1.25% in 1977 to 0.73% in 1978. California's industry average for 1977 was 1.28%.

The program of relocating the older Western Thrift & Loan branches into company owned office centers, uniquely detailed in contemporary design, has proven very successful. Two offices were relocated in 1978, four additional offices are in various stages of progress and scheduled for completion during 1979. At that time, only seven of the Western Thrift offices will remain to be relocated in company owned premises.

While it is difficult to assess the full impact of the current high money costs on earnings for 1979, the management of Western Thrift Financial feels that Western Thrift & Loan is in a unique position to pass a good portion of the additional money costs on to the borrower. All indications are that loan demand will remain strong. Consequently, the management is confident that 1979 will be a most satisfactory year.

ON BEHALF OF THE BOARD



K.A. Wallace
President

Current Exploration Projects

Alberta

West Pembina Area, Alberta Townships 48, 49, 50, Ranges 10, 11, 12 W5M

The Company, in conjunction with partners, has continued its activity in purchasing and interpreting seismic data in addition to new shooting undertaken in the latter part of 1978. The first phase of shooting was partly experimental; to acquire information and develop its own techniques for identifying known Nisku structures and tying these into prospects that the Company wished to substantiate by seismic. It is hoped that when completed, this first program will furnish the Company and its partners with enough data to commit to drill or to give positive results to warrant further seismic on one or more leads furnished by this preliminary data. It is hoped that the continuing efforts of the Company in the West Pembina area will culminate in some positive results which will warrant drilling. The Company is pursuing the possibility of evaluating Crown sales in West Pembina for possible acquisition and future drilling.

Wood River Area, Alberta Townships 42, 43, Range 23 W4M

The Company was instrumental in further evaluating a potential of its lands in Twps. 42 and 43, Rge. 23 W4M by virtue of farmouts to Golden Eagle Oil and Gas Ltd. and Anschutz Corporation for Devonian-Nisku tests to depths of approximately 6000 feet. The Companies were unsuccessful in their attempts to find production in this most illusive reservoir, and the wells were subsequently abandoned. The lands held by the Company and partners in this area would appear to have been completely evaluated. It is not anticipated that any further activity will take place in the near future.

Ponoka Area, Alberta Township 43, Range 25 W4M

The Company in conjunction with partners, successfully farmed out certain of its lands for drilling of 6700 feet Devonian-Ireton test i.e.: STL SUMMIT PONOKA 10-12-43-25 W4M which failed to encounter Devonian production, but did encounter gas bearing sands in the Basal Cretaceous. Summit will retain a royalty during payout, which will convert to a twenty per cent (20%) working interest. No further activity is planned for the area in the immediate future.

St. Albert Area, Alberta Township 54, Range 25 W4M

The Company has completed its geological and geophysical interpretation of certain lands in the St. Albert area which have become available to the Company for farmout. The Company is working out final details on the project and it is hoped that the Company will be able to farmout its interest for a carried interest and have a well drilled to the Devonian-Ireton formation to a depth of approximately 5000 feet prior to the summer of 1979. The prospect is located within 2½ miles of other Devonian and Cretaceous production.

Kneehill Area, Alberta Township 36, Range 26 W4M

The Company, in conjunction with partners, continued to hold certain lands in this area, hopeful that it may be able to negotiate farmouts prior to the expiry of most of the leases in the area. During 1978, the Company was instrumental in finalizing the drilling of two wells on certain of these lands which resulted in the drilling of two Mississippian tests. After considerable evaluation, one was completed as a potential Cretaceous gas well, and the other was abandoned. The Company holds minor royalties in these farmouts. It is not anticipated that any further activity will result due to the expiration of leases and the abandonment of one of the test wells.

Nevis Area, Alberta Township 38, Range 22 W4M

The Company held a small royalty (2½% GOR) on a Crown Lease which was evaluated in December, 1978, by the drilling of a test well to approximately 6000 feet in the Devonian-Ireton formation. The test was unsuccessful in finding production from the Devonian formation, but due to possible gas bearing sands being present in the Cretaceous, production casing was set. Evaluation for this possible potential gas well from the Basal Cretaceous is anticipated for the summer of 1979. The Company holds no further acreage in the Nevis area that could possibly be evaluated at this time.

U.S.A.

Ragged Point Area, Montana

The Company, in conjunction with partners, farmed out certain of its land for the drilling of a test well, #1 Goffena, which was drilled to a depth of 4800 feet to evaluate the potential of the Tyler sand known to exist in this area. The test well failed to encounter production and was subsequently abandoned. It is anticipated that more exploration drilling may be undertaken in the summer or fall of 1979 on the balance of the lands.

Tule Creek Area, Montana

Due to renewed interest in this area by industry in general, the Company was able to grant a drilling option to a Denver based exploration Company for the drilling of a Devonian-Nisku test offsetting the Company's acreage Toavs #33-1. The test well was unsuccessful and the option which had been granted was not exercised. The Company is continuing its policy of holding leases until their expiry in the hopes of making farmouts or granting options to evaluate its leases.

Willard Area, Montana

Summit Resources Inc. continues to hold a 50% working interest in some 1950 acres of leases. During 1978, Marathon Petroleum drilled a deep test to evaluate the potential of the Silurian reef, within one mile of Summit held lands. Marathon failed to encounter commercial production and the well was subsequently abandoned. The Company will continue to hold its acreage in an attempt to initiate the drilling of a test well on Summit held lands.

SASKATCHEWAN

Due to the adverse taxation imposed upon the producers and operators in this province by that government, the Company has refused to take any initiative in further exploration and development in that province.

Foreign

German North Sea

The Company continues to maintain its 4% working interest in some 100,000 acres in the German sector of the North Sea for a minimum expenditure. It is hopeful that the operators of this project may be able to farm-out this acreage prior to the expiry of this permit in 1980.

Summary of Non-Producing Acreage

(as of December 31, 1978)

<u>AREA</u>	<u>GROSS ACRES</u>	<u>Working Interest</u>
		<u>COMPANY'S NET ACRES</u>
Alberta	22,260	6,375
Saskatchewan	1,519	608
German North Sea	100,000	4,000
Montana	<u>7,916</u>	<u>1,995</u>
TOTAL	<u>131,695</u>	<u>12,978</u>

		<u>*Royalty Interest</u>
Alberta	11,360	339
Saskatchewan	<u>920</u>	<u>17</u>
TOTAL	<u>12,280</u>	<u>356</u>
TOTAL ALL PROPERTIES	<u>143,975</u>	<u>13,334</u>

*A 1.0 per cent Royalty Interest is equivalent to a 3.0 per cent Working Interest.

Development

The following table shows the Company's participation in wells capable of production at December 31, 1978

<u>Producing Wells</u>	<u>Gross Wells</u>	<u>Net Wells</u>
<u>Working Interest</u>		
Midale, Saskatchewan	2	1.65
Parkman	4	2.0
Hume	6	1.1
Weyburn	6	2.4
Wood River, Alberta	2	0.25
<u>Royalty Interest</u>	<u>Gross Wells</u>	<u>% Royalty</u>
Parkman, Saskatchewan (oil)	2	12.5
	4	1.5
Lost Horse Hills (oil)	9	1.0
Elmore (oil)	5	1.5
Oungre (oil)	1	1.0
Chigwell, Alberta (oil)	3	1.4
Oberlin (gas)	1	1.0
Lait (gas)	1	5.0
Nevis (shut-in gas)	1	6.75
	1	6.75
Harmon	1	0.75
Kneehill (shut-in gas)	1	0.2343
Ponoka (shut-in gas)	1	7.5

The major reserves of the Company were evaluated by J.C Sproule in June 1972 and are being continually updated on a regular basis by the engineering staff of the Company. These updated reserves estimated at December 31, 1978 are as follows:

<u>Estimated Reserves</u>	<u>Crude Oil</u>
Proven developed	390,195
Probable developed	331,175
Royalty Proven	79,698
Royalty Probable	23,000
TOTAL RESERVES	824,068 bbls.

The Company receives its major portion of production from wells in Saskatchewan, i.e. Parkman, Midale, Hume and North Weyburn, along with Wood River, Alberta. During the period under review the Company's oil production is as follows:

<u>Period</u>	<u>Net Production — after Royalty</u>
October 1, 1977 — December 31, 1978	49,633 bbls.

Summit Resources Limited

ASSETS

	December 31, 1978	September 30, 1977 (note 4)
CURRENT ASSETS		
Cash and term deposits	\$ 210,965	\$ 30,577
Accounts receivable	341,552	186,538
Prepaid expenses and supplies	23,312	22,154
	<u>575,829</u>	<u>239,269</u>
INVESTMENT IN OTHER COMPANIES (note 2)	<u>1,920,230</u>	<u>1,502,763</u>
OTHER ASSETS, at cost		
Drilling and other deposits	<u>27,984</u>	<u>26,984</u>
FIXED ASSETS (note 3)		
Properties, buildings and equipment	2,373,962	2,410,966
Less accumulated depreciation and depletion	817,398	695,727
	<u>1,556,564</u>	<u>1,715,239</u>
	<u>\$4,080,607</u>	<u>\$3,484,255</u>

Auditors' Report

To the Shareholders of
Summit Resources Limited

We have examined the consolidated balance sheet of Summit Resources Limited as at December 31, 1978 and the consolidated statements of income, retained earnings and changes in financial position for the fifteen months then ended. For Summit Resources Limited and subsidiary of which we are the auditors and which are consolidated in these financial statements, our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. For the investment in Western Thrift Financial Corporation, which is accounted for by the equity method, we have relied on the report of the auditors who have examined its financial statements.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1978 and the results of its operations and the changes in its financial position for the fifteen months then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Winnipeg, Canada
February 14, 1979

THORNE RIDDELL & CO.
Chartered Accountants

Summit Resources Limited
(Incorporated under the laws of Alberta)

Consolidated Balance Sheet

LIABILITIES

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 295,380	\$ 120,564
Advances by participants in drilling programs	31,000	62,000
Principal due within one year on long-term debt	7,625	6,918
	<u>334,005</u>	<u>189,482</u>
LONG-TERM DEBT		
6¾% Mortgage payable, maturing May 15, 1985	58,998	67,844
Less principal due within one year	7,625	6,918
	<u>51,373</u>	<u>60,926</u>
DEFERRED INCOME TAXES	<u>418,000</u>	<u>346,000</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized		
200,000 5% Non-cumulative, non-voting, redeemable convertible preference shares, par value \$1 per share		
10,000,000 Common shares, no par value		
Issued		
1,000,920 Common shares	1,935,947	1,935,947
RETAINED EARNINGS	<u>1,341,282</u>	<u>951,900</u>
	<u>3,277,229</u>	<u>2,887,847</u>
	<u>\$4,080,607</u>	<u>\$3,484,255</u>

Approved by the Board

Director

K. H. Wallace

Director

R. E. M.

Summit Resources Limited

Consolidated Statement of Income

	Fifteen months ended December 31, 1978	Year ended September 30, 1977 (note 4)
REVENUE		
Oil and gas sales	\$ 464,696	\$ 344,098
Drilling contracts	772,500	544,890
Rentals	74,438	55,321
Investments	13,740	28,105
	<u>1,325,374</u>	<u>972,414</u>
EXPENSES		
Production	111,865	71,375
Drilling contracts	736,770	363,116
Rental	70,043	35,101
Interest on long-term debt	5,283	4,737
Remuneration of directors, officers and employees	78,316	54,709
General and administrative	69,983	59,213
Depreciation and depletion	121,920	139,164
	<u>1,194,180</u>	<u>727,415</u>
Operating Income	131,194	244,999
Share of earnings of Western Thrift Financial Corporation (note 2)	<u>321,604</u>	<u>143,534</u>
Income before income taxes	<u>452,798</u>	<u>388,533</u>
Income taxes		
Provincial tax credits	(8,584)	(8,471)
Deferred	72,000	141,000
	<u>63,416</u>	<u>132,529</u>
NET INCOME	<u>\$ 389,382</u>	<u>\$ 256,004</u>
NET INCOME PER COMMON SHARE	<u>\$.39</u>	<u>\$.26</u>

Summit Resources Limited

Consolidated Statement of Retained Earnings

	Fifteen months ended December 31, 1978	Year ended September 30, 1977
Retained earnings at beginning of period		
As previously reported	\$ 798,779	\$ 613,664
Prior period adjustment (note 4)	153,121	82,232
As restated	951,900	695,896
Net income	389,382	256,004
RETAINED EARNINGS AT END OF PERIOD	<u>\$1,341,282</u>	<u>\$ 951,900</u>

Summit Resources Limited

Consolidated Statement of Changes in Financial Position

	Fifteen months ended December 31, 1978	Year ended September 30, 1977
WORKING CAPITAL DERIVED FROM		
Operations	\$ 261,698	\$ 374,487
Proceeds from sale of marketable securities		87,323
Proceeds from sale of fixed assets	233,597	1,500
	<u>495,295</u>	<u>463,310</u>
WORKING CAPITAL APPLIED TO		
Increase in investment in other companies	95,863	192,255
Increase in other assets	1,000	971
Purchase of fixed assets	196,842	306,945
Reduction of long-term debt	9,553	6,885
	<u>303,258</u>	<u>507,056</u>
INCREASE (DECREASE) IN WORKING CAPITAL	192,037	(43,746)
WORKING CAPITAL AT BEGINNING OF PERIOD	<u>49,787</u>	<u>93,533</u>
WORKING CAPITAL AT END OF PERIOD	<u>\$ 241,824</u>	<u>\$ 49,787</u>

Summit Resources Limited

Notes to Consolidated Financial Statements

Fifteen Months Ended December 31, 1978

1. ACCOUNTING POLICIES

(a) Principles of consolidation

The consolidated financial statements include the accounts of Summit Resources, Inc., a wholly-owned subsidiary.

(b) Investment in other companies

It is the Company's practice to account for its investments in Western Thrift Financial Corporation on the equity method (see note 4).

All other investments are carried at cost.

(c) Fixed assets

The Company follows the full cost method of accounting for oil and gas operations whereby all costs of exploring for and developing oil and gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties and costs of both productive and unproductive drilling. Proceeds received on disposal of properties are credited against such costs.

Depletion of costs accumulated is provided using the composite unit of production method based on total proven reserves of gas and oil. Depreciation of petroleum equipment is provided on a diminishing balance basis at 30% per year.

Depreciation of rental properties and equipment is provided on a straight-line basis at 3% per year.

(d) Income taxes

The Company follows the tax allocation method of accounting under which the income tax provision is based on the income reported in the accounts. Under this method, the Company makes full provision for income taxes deferred as the result of claiming capital cost allowances and exploration and development costs in excess of the amounts provided for depreciation and depletion in the accounts.

Summit Resources Limited

Notes to Consolidated Financial Statements

Fifteen Months Ended December 31, 1978

2. INVESTMENT IN OTHER COMPANIES

	Number of shares		Carrying value	
	December 31, 1978	September 30, 1977	December 31, 1978	September 30, 1977
Western Thrift Financial Corporation - Common	76,210	72,710	\$1,810,230	\$1,392,763
Memrad Holdings Ltd. - Preferred	4,000	4,000	40,000	40,000
Union Assets Ltd. - Preferred	700	700	70,000	70,000
			<u>\$1,920,230</u>	<u>\$1,502,763</u>

The company has a 19.2% investment in common shares of Western Thrift Financial Corporation.

3. FIXED ASSETS

	December 31, 1978		September 30, 1977	
	Cost	Accumulated depreciation and depletion	Net	Net
Petroleum				
Properties	\$1,944,533	\$ 553,100	\$1,391,433	\$1,529,654
Equipment	222,472	191,660	30,812	45,733
	<u>2,167,005</u>	<u>744,760</u>	<u>1,422,245</u>	<u>1,575,387</u>
Rental operation				
Land	30,468		30,468	30,468
Buildings	165,951	67,871	98,080	103,580
Equipment	10,538	4,767	5,771	5,804
	<u>206,957</u>	<u>72,638</u>	<u>134,319</u>	<u>139,852</u>
	<u>\$2,373,962</u>	<u>\$ 817,398</u>	<u>\$1,556,564</u>	<u>\$1,715,239</u>

4. CHANGE OF YEAR END AND PRIOR PERIOD ADJUSTMENT

In 1978 the Company changed its year end to December 31, which year end now coincides with the year end of Western Thrift Financial Corporation.

Previously reported earnings for the year ended September 30, 1977 included the Company's share of earnings of Western Thrift Financial Corporation for that company's twelve months ended December 31, 1976. Comparative figures for 1977 and prior periods have been restated to reflect in 1977 the Company's share of earnings of Western Thrift Financial Corporation for the twelve months ended September 30, 1977. The 1978 financial statements include the Company's share of fifteen months earnings of Western Thrift Financial Corporation.

